

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2016.

Application 14-11-003
(Filed November 14, 2014)

Application of Southern California Gas Company (U904G) for Authority to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2016.

Application 14-11-004
(Filed November 14, 2014)

**DECISION GRANTING JOINT MOTION OF SAN DIEGO GAS & ELECTRIC
COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY
TO ESTABLISH MEMORANDUM ACCOUNTS THAT
WOULD BE EFFECTIVE JANUARY 1, 2016**

Summary

Today's decision grants the March 13, 2015 Joint Motion of San Diego Gas & Electric Company and Southern California Gas Company for authority to establish respective general rate case memorandum accounts to record the difference between the rates in effect beginning January 1, 2016, and the rates to be adopted in the above-captioned proceedings in the event the Commission does not issue a decision in time for the Test Year 2016 rates to take effect on January 1, 2016.

1. Background

On November 14, 2014, San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) filed their above-captioned general rate case (GRC) applications. SDG&E requests that the Commission grant its application for its Test Year 2016 revenue requirement for its natural gas and electric services. SoCalGas requests that the Commission grant its application for its Test Year 2016 revenue requirement for its natural gas and gas storage services. Both applications cover Test Year 2016 with a start date of January 1, 2016, and post-test year adjustments for 2017 and 2018.

For Test Year 2016, SDG&E requests a revenue requirement of \$1.911 billion (\$326 million gas, and \$1.585 billion electric). If approved, this would be an increase of about \$133 million over SDG&E's authorized 2015 revenue requirement. SDG&E's application also requests a post-test year adjustment increase of \$96.4 million in 2017, and an additional \$95.9 million in 2018.

SoCalGas requests a Test Year 2016 revenue requirement of \$2.3 billion. If approved, this would be an increase of about \$246 million over SoCalGas' authorized 2015 revenue requirement. SoCalGas' application also requests a post-test year adjustment increase of \$125 million in 2017, and an additional \$94 million in 2018.

Timely protests and responses to the applications were filed by various parties, to which SDG&E and SoCalGas filed a reply.

A prehearing conference (PHC) was noticed for, and held on January 8, 2015. In the February 5, 2015 Scoping Memo and Ruling of the Assigned Commissioner (Scoping Ruling), a schedule was adopted which sets

the evidentiary hearings for June 22, 2015 through July 17, 2015, and a Commission decision to be adopted around January 2016.

Due to this schedule, there is the possibility that a decision addressing the two applications may not be adopted until sometime after the Test Year 2016 effective date of January 1, 2016 begins.

SDG&E and SoCalGas filed the Joint Motion due to the concern that a decision in these proceedings will not be adopted before the start of the Test Year. To minimize the potential negative effects of a decision beyond January 1, 2016, the Joint Motion at page 2 states that “Both SDG&E and SoCalGas respectfully request the authority to each establish a GRC memorandum account to record the difference between the rates currently in effect for utility service and the final rates adopted in the GRCs in the event a final Commission decision is not issued in time for [Test Year] 2016 rates to take effect January 1, 2016.”

No responses to the Joint Motion were filed.

2. Discussion

Under the schedule adopted in the Scoping Ruling, a decision regarding the GRC applications of SDG&E and SoCalGas will be adopted around January 2016. The start date of their Test Year 2016 is January 1, 2016.

SDG&E and SoCalGas filed the Joint Motion requesting the GRC memorandum accounts as “a prudent and necessary safeguard in the likely event that resolution of SoCalGas and SDG&E’s GRC Phase 1 applications is delayed beyond the start of the test year.” (Joint Motion, at 2.) The Joint Motion points out that similar memorandum accounts were authorized by the Commission in prior applications for SDG&E and SoCalGas, as well as for Pacific Gas and Electric Company, and Southern California Edison Company. SDG&E

and SoCalGas contend that the Commission has allowed “memorandum accounts in GRCs to avoid the potential harms caused by delays in the timely implementation of rates.” (Joint Motion, at 5.) SDG&E and SoCalGas also point out that a delay in the issuance of a decision will “impact the timing of work and capital projects, many of which are for critical safety and reliability efforts.” (Joint Motion, at 6.)

SDG&E and SoCalGas contend that the Commission has authorized the utilities to establish and use memorandum accounts to avoid retroactive ratemaking problems. They point out that Public Utilities Code Section 728 has been interpreted to permit the establishment of rates on a prospective basis only. By receiving authority to establish the memorandum accounts, SDG&E and SoCalGas will be able to “track the difference between their revenue requirement and corresponding rates at an unchanged level and the newly adopted rates for 2016, in order to have the ability to recover its adopted 2016 revenue requirement for the full year, beginning on January 1, 2016.” (Joint Motion, at 4.) SDG&E and SoCalGas contend that the memorandum accounts “will (1) minimize rate shock caused by an untimely decision and a subsequent need to recover the adopted revenue requirement in less than a full year and (2) protect the utilities from potential loss of adopted revenues.” (Joint Motion, at 4.)

No one opposes the Joint Motion.

In the past, the Commission has granted similar relief for SDG&E and SoCalGas, as well as for other energy utilities, to establish these memorandum accounts. It is reasonable under the circumstances to grant the unopposed motion of SDG&E and SoCalGas for an order authorizing SDG&E and SoCalGas to establish memorandum accounts to record the difference between the rates in effect beginning January 1, 2016, and the rates to be adopted in these two GRC

applications in the event a Commission decision is not issued in time for the Test Year 2016 rates to take effect on January 1, 2016.

Granting the Joint Motion will leave both ratepayers and shareholders relatively indifferent as to the date a decision on the GRC applications of SDG&E and SoCalGas is adopted. It will also reduce any incentive for a party to delay the proceeding past the start date of Test Year 2016.

The granting of the Joint Motion in this decision does not bind the Commission to adopt, or for the Commission to prejudge, the revenue requirements and post-test year adjustments requested by SDG&E and SoCalGas. The decision addressing the Test Year 2016 revenue requirements and post-test year adjustments of SDG&E and SoCalGas, can only be adopted upon the development of a complete evidentiary record, and a full and fair consideration of the evidentiary record by the Commission.

Accordingly, the March 13, 2015 Joint Motion of SDG&E and SoCalGas to establish memorandum accounts should be granted. SDG&E and SoCalGas should file respective Tier 2 advice letters with the Energy Division within 45 days of the effective date of this decision to establish a memorandum account to record the difference in rates on January 1, 2016, and the rates to be adopted in the decision which addresses the GRC applications of SDG&E and SoCalGas..

3. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

4. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Rafael L. Lirag and John S. Wong are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. SDG&E and SoCalGas filed their respective GRC applications seeking approval of increases to their revenue requirements for Test Year 2016, with an effective date of January 1, 2016, and for post-test year increase adjustments for 2017 and 2018.

2. The Scoping Ruling adopted a schedule for this proceeding, which anticipates a Commission decision will be adopted on these issues around January 2016.

3. The unopposed Joint Motion of SDG&E and SoCalGas seeks authority to establish respective GRC memorandum accounts to record the difference between their rates currently in effect, and the rates to be adopted in the GRC applications in the event the Commission does not issue a decision in time for the Test Year 2016 rates to take effect on January 1, 2016.

4. In the past, the Commission has granted similar relief for SDG&E and SoCalGas, as well as for other energy utilities, to establish these memorandum accounts.

5. Granting the Joint Motion will leave both ratepayers and shareholders relatively indifferent to the date a decision on the GRC applications of SDG&E and SoCalGas is adopted.

6. The decision addressing Test Year 2016 revenue requirements, and the post-test year adjustments of SDG&E and SoCalGas, can only be adopted upon the development of a complete evidentiary record, and full and fair consideration of the evidentiary record by the Commission.

Conclusions of Law

1. SDG&E and SoCalGas filed their March 13, 2015 Joint Motion to avoid retroactive ratemaking problems should a decision on their GRC Test Year 2016 applications be adopted after December 31, 2015.
2. It is reasonable under the circumstances to grant the unopposed Joint Motion of SDG&E and SoCalGas.
3. The granting of the Joint Motion in this decision does not bind the Commission to adopt, or for the Commission to prejudge, the requested revenue requirements and post-test year adjustments of SDG&E and SoCalGas.
4. SDG&E and SoCalGas should file respective Tier 2 advice letters with the Energy Division to establish their memorandum accounts to record the difference in rates on January 1, 2016, and the rates to be adopted in the decision addressing the GRC applications of SDG&E and SoCalGas.

O R D E R**IT IS ORDERED** that:

1. The March 13, 2015 motion filed by San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) for authority to establish memorandum accounts to record the difference between the rates in effect beginning January 1, 2016, and the rates to be adopted in a decision regarding the Test Year 2016 general rate applications of SDG&E and SoCalGas, is granted.
2. San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas), shall file respective Tier 2 advice letters with the Energy Division within 45 days of the effective date of this decision to establish their memorandum account to record the difference between their rates in effect

beginning January 1, 2016, and the rates to be adopted in the decision addressing SDG&E's Application (A.) 14-11-003, and SoCalGas' A.14-11-004.

3. Application (A.) 14-11-003, and SoCalGas' A.14-11-004 remain open.

This order is effective today.

Dated _____, at San Francisco, California.